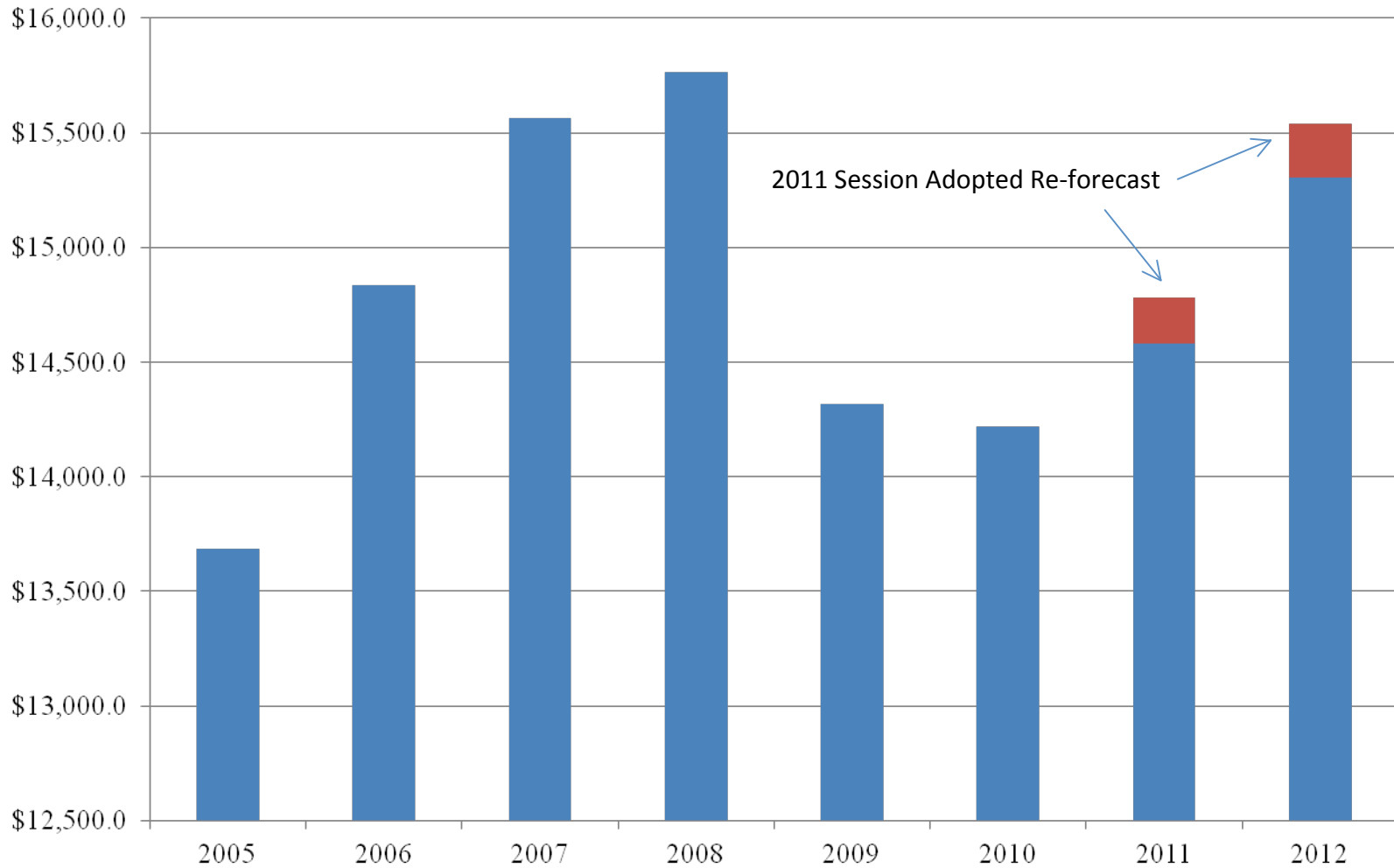


Can localities count on state support?

Virginia Municipal League
Legislative Committee
June 2, 2011
Neal Menkes, VML
Jim Regimbal, Fiscal Analytics

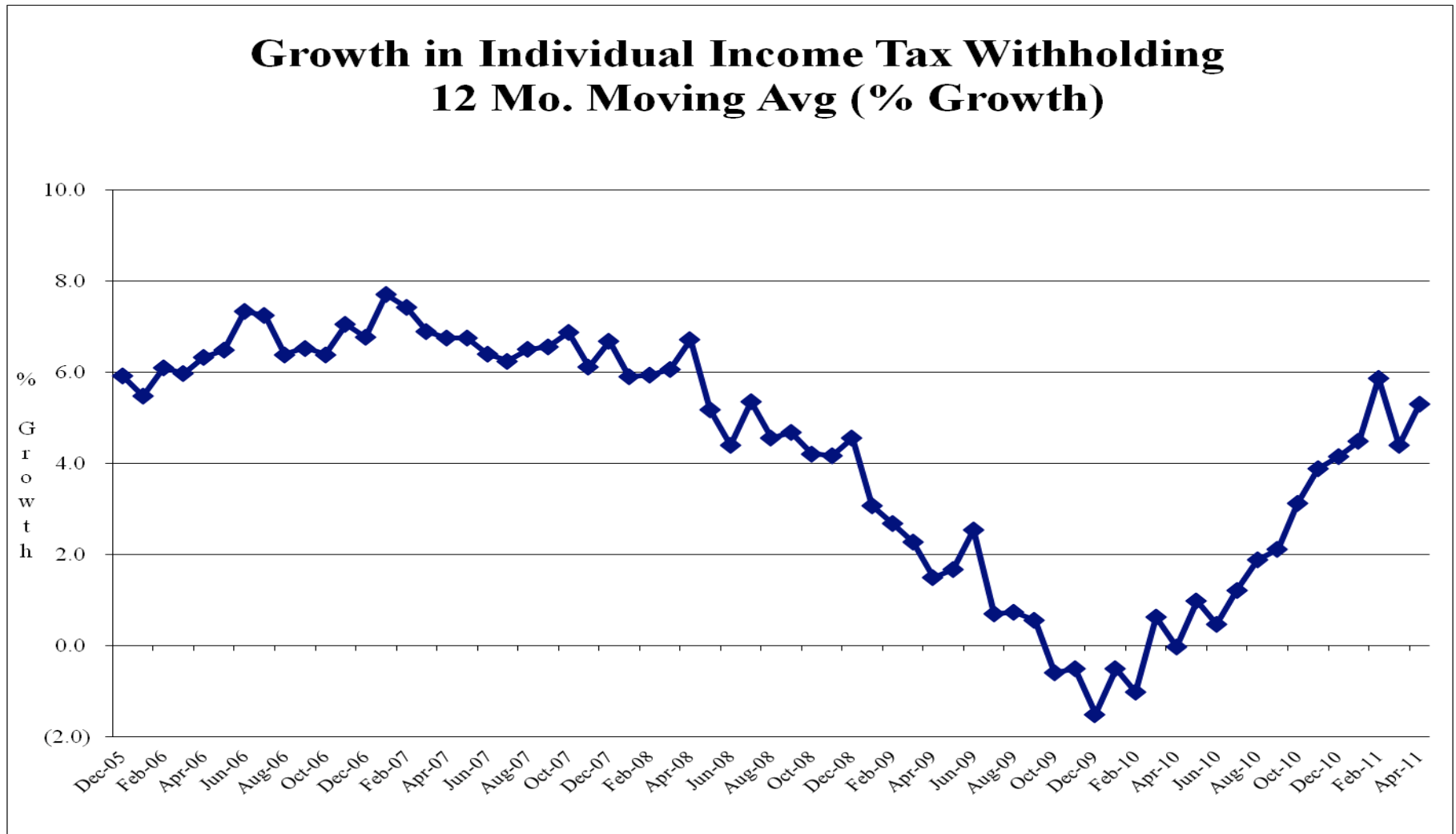
State revenues on upswing, but still below pre-recession highs

State General Fund Revenues (\$ Mil.)

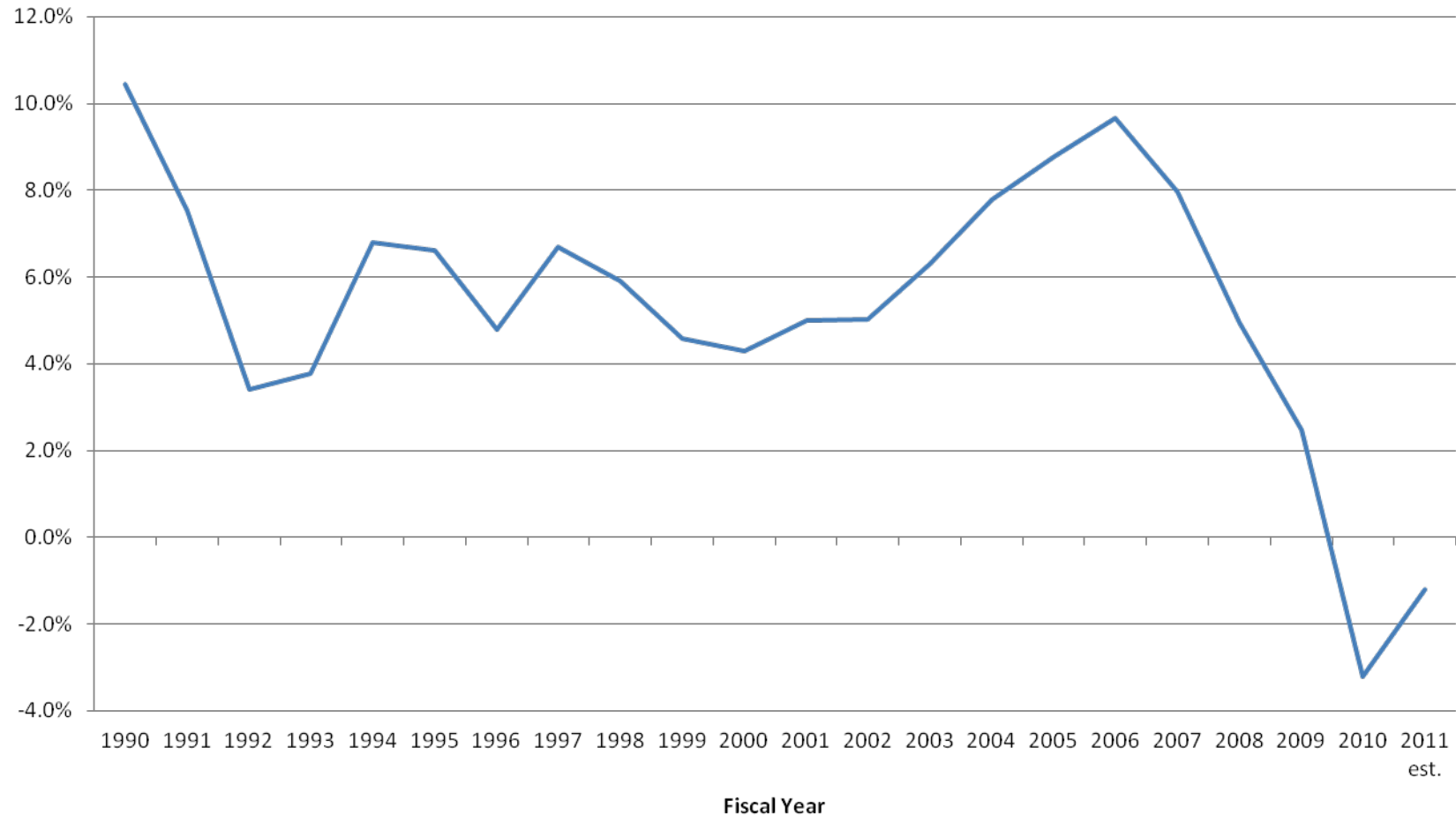


* Individual income and sales taxes make up 86% of GF. Does not include GF transfers and balances.

What explains state increases while local revenues stagnate?



Growth in Total **Local** Revenues Now Basically Flat



**107 localities responding to VML/VACO survey:
FY2010 to budgeted FY2011: -1.2%**

Governor and G.A. directed most new resources to other programs

- Less than 20 percent of the \$615 million in new resources targeted locally-delivered programs. (Attachment A.)
- The Governor and General Assembly pumped general fund dollars into transportation, economic development, higher education, retirement, VITA, Medicaid, Rainy Day Fund, and a partial phase-out of accelerated sales tax payment.

“Boosts” in FY12 do not make up for past state budget cuts

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
GF Direct Aid to K-12	\$5,607.6	\$4,769.8	\$4,713.3	\$4,951.8
Health and Human Services	\$888.4	\$878.7	\$816.8	\$850.5
<i>CSA</i>	\$299.7	\$279.2	\$271.2	\$270.1
<i>Community MH/MR Services</i>	\$249.4	\$256.5	\$230.1	\$269.0
<i>Local Social Services Staff</i>	\$117.4	\$117.4	\$114.4	\$114.3
<i>Community Health Programs</i>	\$117.6	\$116.9	\$106.1	\$109.3
<i>Welfare Services and Programs</i>	\$104.3	\$108.7	\$95.0	\$87.8
Public Safety	\$734.3	\$556.8	\$686.0	\$667.7
<i>Local Sheriffs Offices</i>	\$406.1	\$257.1	\$408.2	\$399.2
<i>Local Police Depts HB 599</i>	\$197.3	\$180.8	\$178.7	\$172.4
<i>Local/Regional Jail Per diem</i>	\$80.1	\$68.1	\$53.7	\$49.9
<i>Assistance for Juvenile Justice</i>	\$50.8	\$50.8	\$45.4	\$46.2
Constitutional Officers	\$155.3	\$142.2	\$144.2	\$143.8
Car Tax	\$950.0	\$950.0	\$950.0	\$950.0
Aid-to-Locality Reduction	<u>(\$50.0)</u>	<u>(\$50.0)</u>	<u>(\$60.0)</u>	<u>(\$60.0)</u>
Total Local GF Aid	\$8,285.6	\$7,247.5	\$7,250.3	\$7,503.8
Total GF Appropriations	\$15,943.0	\$14,787.2	\$15,457.4	\$16,556.9

5 Reasons the state will not restore cuts in core programs

1. Payments to the Rainy Day Fund – Constitutional change will increase the number of years deposits have to be made.
2. VRS contributions for teachers and state employees will have to be restored to actuarially sound levels.
3. Medicaid spending continues to grow.
4. Debt service payments will increase.
5. One-time revenues and savings in this biennium have to be replaced.

Local budgeting must deal with triple whammy

1. Federal stimulus dollars disappear after FY12.
 - Also, long-standing federal programs like CDBG, transportation, and others will be targeted in federal reduction efforts.
2. State actions in the 2012 legislative session will strain local budgets.
 - VRS employer contribution rates will jump.
 - Re-benchmarking for public education will likely hit a new low.
 - **Local taxing authority will again be under attack.**
3. Real estate assessments will continue to decline and lag behind general economic recovery.
 - Rising gas prices could hurt sales tax and other property tax collections.

Attachment A

FY11 and FY12 Budget Amendments for Major Local Programs (dollars in millions)

Changes in State Aid to Locals			
Selected Programs			
Item	FY11	FY 12	Total
Sheriffs' Funding	\$8.3	\$14.3	\$22.6
Jail Per Diems	6.1	0.0	6.1
New Jail Staff	0.0	1.3	1.3
Enterprise Zones	0.0	3.5	3.5
Industrial Sites	0.0	3.0	3.0
Brownfields	0.0	1.0	1.0
Direct Aid to Public Ed	-26.0	48.7	22.7
WQIF	36.4	0.0	36.4
Soil & Water Districts	0.0	1.0	1.0
599	0.0	12.4	12.4
CSA	-1.0	-3.9	-4.9
Community MH Services	0.0	1.9	1.9
Auxiliary Grants	-0.5	-0.5	-1.0
Local DSS Support	0.0	2.9	2.9
Grand Totals	\$23.3	\$85.6	\$108.9

Attachment B

State Changes to Reduce State Costs Only

- Established a funding cap of 1 support position per 4 instructional positions.
- Increased the federal revenue deduct from 29% to 38% to eliminate so-called double-counting of funding for support positions.
- Adopted additional support function reductions:
 - Included \$0 in division LWA for non-personnel support.
 - Extended school bus replacement cycle from 12 to 15 years.
 - Eliminated staff travel, leases/rentals, and facilities from recognized non-personnel support funding.
- Changed funding for health care premiums to reflect actual participation rates but not actual premiums paid.
- Eliminated annual/sick leave payments for personnel who terminate employment, capital outlay replacement and a “miscellaneous” category.
- Supplanted state dollars with lottery funds:
 - Transfer remedial summer school, ESL, and 2/3 of textbook funding to lottery.
 - Eliminate enrollment loss and additional support for construction/operating costs.
 - Limit participation in K-3 Class Size Reduction Programs.

Attachment C

Explaining Re-benchmarking for the 2012 Session

- 2010 base year used for linear weighted averages. The data is stale.
- Some local salary increases in FY09, none in FY10.
- Federal stimulus dollars are not factored into re-benchmarking.
- Recent policy changes shift state costs to localities.
- \$130/pupil amendment in 2011 session is one-time, and will be removed in re-benchmarking calculations.